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SUBJECT: CONSUL GENERAL'S FAREWELL CALL ON MACAU SECRETARY
FOR ECONOMY AND FINANCE FRANCIS TAM

REF: HONG KONG 1246

Classified By: CONSUL GENERAL JOE DONOVAN FOR REASONS 1.4(B) AND (D)

1.(C) Summary. In the Consul General's farewell call on Macau Secretary for Economy and Finance Francis Tam July 13, Tam expressed appreciation for the role of U.S. foreign investment in Macau's economy and said that despite the drop in gaming revenues, Macau expects to have a balanced budget this year. Macau has maintained a low (3.5 percent) unemployment rate largely by sending roughly 20,000 foreign workers home as construction projects have been suspended or canceled. Beijing's decision to permit the University of Macau to construct a new campus on Guangdong Province's Hengqin island was a "breakthrough." Acknowledging earlier widespread speculation that he would run for Chief Executive to replace outgoing CE Edmund Ho, Tam wryly noted that his choice not to run (against Fernando Chui) "was more than a personal decision." One major challenge Chui will face is inevitable comparisons Macau residents will make with outgoing CE Edmund Ho. Looking to the future, Tam said Macau must further develop its convention, exhibition and cultural tourism while avoiding pressure to diversify into areas where it has no expertise. End summary.

Despite Downturn, Macau Finances in Good Shape

2.(C) In the Consul General's farewell call on Macau Secretary for Economy and Finance Francis Tam Pak Yuen on July 13, the CG complimented Tam and the Macau Special Administrative Region Government (MSARG) for policies that have led to dramatic economic growth and progress over the past several years and expressed appreciation for Tam's work in strengthening U.S.-Macau economic ties. Tam thanked the CG for his support. Turning to the important role of foreign investment in Macau's economy, he said that with the support of U.S. companies, "Macau has been doing very well." Despite the global economic downturn, Macau is "still doing ok," with an unemployment rate of around 3.5 percent. Tam admitted that one of the reasons unemployment has remained low is the MSARG's policy of protecting local workers by sending foreign workers home. On the fiscal side, although gaming revenues have dropped by 12 percent in the first six months of 2009 over the same period last year, Tam expects Macau will have a balanced budget for the year, and for the next several years "will still be ok." (Note: Thanks to a flood of gaming-related income and limited spending capacity, Macau's tax revenues have been double its expenditures for the past two years. Plans to spend more on infrastructure and social services in 2009 are only slowly being implemented. End note.)

3.(C) In response to the CG's observation that some U.S. casino operators in Macau are struggling, Tam said he hoped that as the global economy improves, "people like (Las Vegas Sands Chairman) Sheldon Adelson will be able to raise additional funds in the capital markets." (Note:

International press is reporting that Las Vegas Sands is planning to restart two stalled projects in Macau and is exploring options to raise several billion U.S. dollars, possibly through an initial public offering in Hong Kong or sale of some of the company's Macau assets. End note.) He noted that Macau companies had "only" cut about 20,000 of the roughly 100,000 foreign workers employed in the territory. About 15,000 of that number were involved in construction projects which were shelved or postponed.

University of Macau's Hengqin Expansion a Breakthrough

¶4. (C) Tam described as a "breakthrough" China's recent decision to allow Macau to lease 1.1 square kilometers of land on adjacent Hengqin Island in Zhuhai to build a new campus for the University of Macau (reftel). Tam opined that it would have been much more difficult if Macau had attempted to get permission from the central government to develop a for-profit project on Hengqin. He stressed that Macau needs more land, and "a university is something everyone can support."

Mum on Future Plans; CE Ho A Tough Act To Follow

¶5. (C) Tam, 60, said he did not know what his future plans would be following the conclusion of Chief Executive Edmund Ho's second and final five-year term of office in December. Any future government position would depend on the next CE, almost certainly former Secretary for Social Affairs and Culture Fernando Chui. Acknowledging the CG's observation

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that many people in Macau had earlier speculated he might run for Chief Executive to replace Ho, Tam shrugged, wryly noting that the choice not to run "was more than a personal decision." Asked what Tam felt would be the toughest challenges facing Chui, Tam acknowledged that CE Ho would be a tough act to follow. He expressed the hope that Macau residents guard against any quick comparisons between Chui and outgoing CE Edmund Ho, whom he described as having a very strong character. Much will depend, Tam noted, on who Chui selects to head Macau's cabinet agencies. He doubted the presumptive CE would name his cabinet before elections for Macau's Legislative Assembly on September 20. Assuming the Chief Executive transition process proceeds as expected, Chui will be "elected" by a 300-member selection committee on July 26, approved by Beijing thereafter, and will take office December 20.

Macau Should Focus on Improving Tourism Sectors

¶6. (C) Asked what Macau can do to diversify its economy, Tam said that as a small economy heavily dependent on gaming and tourism Macau has little flexibility. It must be realistic and work to do well what it can do. This, Tam said, means further developing convention, exhibition and cultural tourism. It does not mean trying to return to textiles, which long ago left Macau for lower cost locations in the mainland and elsewhere, or trying to develop high technology, Tam continued. While various members of the community are always pressing for Macau to diversify, Tam recognized this is not a simple thing to do.

DONOVAN